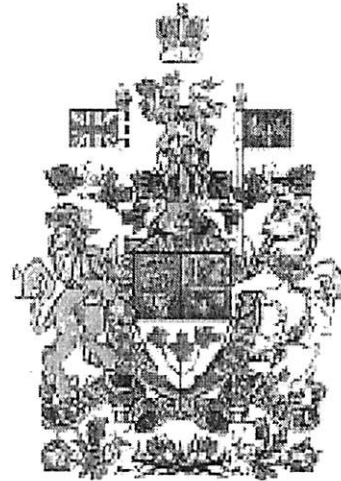

Financial Statements

**Office of the Senate
Ethics Officer**

March 31, 2012



Financial Statements of the

Office of the Senate Ethics Officer

For the Year Ended March 31, 2012

Office of the Senate Ethics Officer

Management's Responsibility for the Financial Statements

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2012 and all information contained in these statements rests with the management of the Office of the Senate Ethics Officer (Office). These financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Office's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with prescribed regulations and within Parliamentary authorities.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the Office.

The financial statements of the Office of the Senate Ethics Officer for the year ended March 31, 2012 has been audited by the firm of *van Berkom Professional Corporation, Chartered Accountants*.

Lyse Ricard
Interim Senate Ethics Officer and
Chief Financial Officer

Bonnie Marga
Deputy Chief Financial Officer

Ottawa, Canada
July 24, 2012

INDEPENDENT AUDITOR'S REPORT

To Ms. Lyse Ricard, Interim Senate Ethics Officer:

I have audited the statement of financial position of the Office of the Senate Ethics Officer as at March 31, 2012 and the statements of operations, deficit and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on my judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, I consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Senate Ethics Officer as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

van Berkom Professional Corporation

Chartered Accountants

(Authorized to practice public accounting by
The Institute of Chartered Accountants of Ontario)

Ottawa, Ontario
July 24, 2012

Office of the Senate Ethics Officer
Statement of Operations

For the year ended March 31,
(in dollars)

	2012	2011 (Restated – Note 7)
OPERATING EXPENSES		
Salaries and employee benefits	667,226	732,742
Accommodation	118,380	105,624
Professional and special services	24,929	18,702
Amortization	1,873	12,680
Printing and communication	32,897	30,086
Utilities, materials and supplies	15,897	15,013
Travel	29,739	4,551
TOTAL COST OF OPERATIONS	890,941	919,398

The accompanying notes form an integral part of these financial statements.

Office of the Senate Ethics Officer
Statement of Financial Position

At March 31,
(in dollars)

	<u>2012</u>	<u>2011</u>
ASSETS		
Financial assets		
Due from Consolidated Revenue Fund	39,066	61,987
Accounts receivable and advances	26,540	9,750
Total financial assets	<u>65,606</u>	<u>71,737</u>
Non-financial assets		
Tangible capital assets (Note 4)	3,745	5,618
Total non-financial assets	<u>3,745</u>	<u>5,618</u>
TOTAL	<u>69,351</u>	<u>77,355</u>
LIABILITIES AND DEFICIT		
Financial liabilities		
Accounts payable and accrued liabilities	62,588	71,438
Vacation pay and compensatory leave	9,021	25,562
Employee future benefits (Note 5)	25,087	163,849
	<u>96,696</u>	<u>260,849</u>
ACCUMULATED DEFICIT	<u>(27,345)</u>	<u>(183,494)</u>
TOTAL	<u>69,351</u>	<u>77,355</u>

The accompanying notes form an integral part of these financial statements.

Office of the Senate Ethics Officer
Statement of Deficit

For the year ended March 31,
(in dollars)

	2012	2011 (Restated - Note 7)
ACCUMULATED DEFICIT, BEGINNING OF YEAR	(183,494)	(168,375)
Total cost of operations	(890,941)	(919,398)
Net cash provided from the Consolidated Revenue Fund (Note 3)	815,719	768,826
Employee future benefits transferred to another department	102,412	-
Change in due from the Consolidated Revenue Fund	(22,921)	(8,929)
Services provided without charge from other government departments (Note 6)	151,880	144,382
ACCUMULATED DEFICIT, END OF YEAR	(27,345)	(183,494)

The accompanying notes form an integral part of these financial statements.

Office of the Senate Ethics Officer
Statement of Cash Flow

For the year ended March 31,
(in dollars)

	2012	2011 (Restated – Note 7)
Operating activities		
Total cost of operations	890,941	919,398
Non-cash items		
Amortization of tangible capital assets	(1,873)	(12,680)
Services provided without charge from other government departments	(151,880)	(144,382)
Variation in Statement of Financial Position:		
Increase in accounts receivable and advances	16,790	6,987
Decrease in accounts payable and accrued liabilities	8,850	2,066
Decrease in vacation pay and compensatory leave	16,541	159
Decrease (increase) in employee future benefits	138,762	(8,340)
Employee future benefits transferred to another department	(102,412)	-
Cash used in operating activities	<u>815,719</u>	<u>763,208</u>
Capital investment activities		
Acquisition of tangible capital assets	-	<u>5,618</u>
 Net cash provided from the Consolidated Revenue Fund	 <u>(815,719)</u>	 <u>(768,826)</u>

The accompanying notes form an integral part of these financial statements.

Office of the Senate Ethics Officer
Notes to the Financial Statements

For the year ended March 31, 2012

1. Authority and Objectives

The Office of the Senate Ethics Officer (the Office) was created by an *Act to amend the Parliament of Canada Act and other Acts in consequence*. The mandate is to administer and interpret the Conflict of Interest Code for Senators which was adopted by the Senate on May 18, 2005.

The Senate Ethics Officer's mandate involves five major areas: opinions and advice, disclosure, inquires, communication and information and administration of the Office.

For the purpose of these financial statements, all activities mentioned above are included in the activities of the Office of the Senate Ethics Officer.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

Significant accounting policies are as follows:

- (a) **Parliamentary authorities** – The Office of the Senate Ethics Officer is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Office do not parallel financial reporting according to Canadian public sector accounting standards since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting.
- (b) **Net cash provided from the Consolidated Revenue Fund** - The Office of the Senate Ethics Officer operates within the Consolidated Revenue Fund (CRF) which is administered by the Receiver General for Canada. All cash received by the Office is deposited to the CRF and all cash disbursements made by the Office are paid from the CRF. The net cash provided from the Consolidated Revenue Fund is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government of Canada.
- (c) **Amounts due from the Consolidated Revenue Fund (CRF)** – The amounts due from the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the Office is entitled to draw from the CRF without further authorities to discharge its liabilities.
- (d) **Expenses** – Expenses are recorded on the accrual basis:
 - i. Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
 - ii. Services provided without charge by other government departments for accommodation and the employer's contribution to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

Office of the Senate Ethics Officer
Notes to the Financial Statements

For the year ended March 31, 2012

(e) Employee future benefits –

- i. Pension benefits: Eligible employees participate in the Public Service Pension Plan which is administered by the Government of Canada. The Office's contributions to the Plan are charged to expenses in the year incurred and represent the total obligation of the Office to the Plan. Current legislation does not require the Office to make contributions for any actuarial deficiencies of the Plan. Actuarial surpluses or deficiencies are not recorded in the Office of the Senate Ethics Officer's books but are recognized in the consolidated financial statements of the Government of Canada.
- ii. Severance benefits: Employees have been entitled to severance benefits under labour contracts or conditions of employment. These benefits were accrued as employees render the services necessary to earn them. Employees' entitlement to earn severance benefits is being discontinued. The effective date of this change varies depending on the employment classification of the employee. Accumulated severance benefits can either be paid out to the employee at the time of the change or at the time of retirement.

(f) Accounts receivable and advances - Accounts receivable and advances are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

(g) Tangible capital assets – All tangible capital assets having an initial cost of \$2,000 or more are recorded at their acquisition cost. The Office of the Senate Ethics Officer amortizes capital assets on a straight-line basis over the estimated useful life of the capital asset as follows:

Asset Class	Amortization Period
Computer software	5 years
Informatics hardware	3 years
Other equipment and furniture	5 years

(h) Measurement uncertainty – The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these financial statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Authorities

The Office of the Senate Ethics Officer receives most of its funding through annual Parliamentary authorities. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, the Office has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

Office of the Senate Ethics Officer
Notes to the Financial Statements

For the year ended March 31, 2012

a) Reconciliation of net cost of operations to current year authorities used:

	2012	2011 (Restated – Note 7)
	(in dollars)	
Total cost of operations	890,941	919,398
Adjustments for items affecting total cost of operations but not affecting authorities:		
Add (Less):		
Amortization of tangible capital assets	(1,873)	(12,680)
Services provided without charge from other government departments	(151,880)	(144,382)
Increase (decrease) in accounts receivable and advances	16,790	6,987
Decrease in accounts payable and accrued liabilities	8,850	2,066
Decrease in vacation pay and compensatory leave	16,541	159
Decrease (increase) in employee future benefits	138,762	(8,340)
Employee future benefits transferred to another department	(102,412)	-
Sub-Total	(75,222)	(156,190)
Adjustment for items not affecting total cost of operations but affecting authorities:		
Add (Less):		
Acquisitions of tangible capital assets	-	5,618
Current year authorities used	815,719	768,826

b) Authorities provided and used:

	2012	2011
	(in dollars)	
Vote 20 – Operating expenditures	719,500	719,500
Statutory amounts to employee benefits plans	89,873	96,964
	809,373	816,464
Less: Lapsed authorities: Operating	(9,931)	(40,558)
	799,442	775,906
Add (Less): Variation in recording of accruals	16,277	(7,080)
Current year authorities used	815,719	768,826

Office of the Senate Ethics Officer
Notes to the Financial Statements

For the year ended March 31, 2012

4. Tangible Capital Assets

	Cost			Accumulated Amortization				Net Book Value		
	Opening balance	Aquisitions	Disposals and write-offs	Closing balance	Opening balance	Amortization	Disposals and write-offs	Closing balance	2012	2011
									(in dollars)	
Computer software	49,500	-	-	49,500	49,500	-	-	49,500	-	-
Informatics hardware	19,250	-	-	19,250	13,632	1,873	-	15,505	3,745	5,618
Other equipment and furniture	54,562	-	2,157	52,405	54,562	-	2,157	52,405	-	-
Total	123,312	-	2,157	121,155	117,694	1,873	2,157	117,410	3,745	5,618

5. Employee Future Benefits

- (a) Pension benefits: The Office of the Senate Ethics Officer's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Quebec Pension Plan benefits and they are indexed to inflation.

Both the employees and the Office contribute to the cost of the Public Service Pension Plan. The 2011-2012 expense amounts to \$64,618 (2010-2011 - \$68,069), which represents approximately 1.8 times (2010-2011 - 1.9 times) the contributions by employees.

The Office's responsibility with regards to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

- (b) Severance benefits: The Office of the Senate Ethics Officer provided severance benefits to certain employees based on eligibility, years of service and final salary. These severance benefits, which are not pre-funded and are paid from future authorities, are being discontinued. Information about the severance benefits, measured as at March 31, is as follows:

	2012	2011
	(in dollars)	
Accrued benefit obligation, beginning of year	163,849	155,509
Benefits paid in year	(40,074)	-
Benefit obligations transferred to another government department	(102,412)	-
Expense for the year	3,724	8,340
Accrued benefit obligation, end of year	25,087	163,849

Office of the Senate Ethics Officer

Notes to the Financial Statements

For the year ended March 31, 2012

6. Related party transactions

The Office is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada (PWGSC) are not included as an expense in the Office's Statement of Operations. There are other types of services that are considered to be part of the normal course of operations because they are not consistently provided without charge to all departments. These services include accommodation and certain employee benefits. The costs of these services have been included as expenses in the Office's Statement of Operations in the following amounts:

	2012	2011 (Restated – Note 7)
	<u>(in dollars)</u>	
Services provided without charge:		
Accommodation	118,380	105,624
Employer's contribution to the health insurance and dental insurance plans	<u>33,500</u>	<u>38,758</u>
Total	<u>151,880</u>	<u>144,382</u>

The Senate of Canada provides services to, and purchases goods and services on behalf of the Office of the Senate Ethics Officer. The costs of these goods and services are included in these financial statements. The cost of services provided by The Senate of Canada to the Office was \$20,601 (2010-2011 - \$17,360).

The following table discloses amounts in accounts receivable and accounts payable with other government departments and agencies:

	2012	2011
	<u>(in dollars)</u>	
Accounts receivable	22,695	8,997
Accounts payable	9,947	17,715

Office of the Senate Ethics Officer

Notes to the Financial Statements

For the year ended March 31, 2012

7. Change in accounting policies

During the year, the Office changed its accounting policy for calculating accommodation costs. The basis for calculating the accommodation costs was changed from one based on a percentage of personnel costs to one based on costs incurred by the PWGSC on behalf of the Office as management believes this basis better reflects the cost of accommodation.

The adoption of the new accounting policy has been accounted for retroactively with the following impact on the comparatives for 2010-2011:

(in dollars)	2011 <u>As previously stated</u>	<u>Effect of changes</u>	2011 <u>Restated</u>
<u>Statement of Operations:</u>			
Accommodation	72,000	33,624	105,624
Total cost of operations	885,774	33,624	919,398
<u>Statement of Deficit:</u>			
Total cost of operations	(885,774)	(33,624)	(919,398)
Services provided without charge from other government departments	110,758	33,624	144,382
<u>Statement of Cash Flow:</u>			
Services provided without charge from other government departments	(110,758)	(33,624)	(144,382)
Total cost of operations	885,774	33,624	919,398

8. Comparative figures

The comparative figures have been reclassified to reflect the presentation adopted for the current year.